

BANK INDONESIA REGULATION
NUMBER: 8/ 10 /PBI/2006
CONCERNING
SPECIAL TREATMENT FOR BANK CREDIT FOLLOWING THE
NATURAL DISASTER IN YOGYAKARTA AND NEARBY AREAS IN
CENTRAL JAVA PROVINCE

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas the impact of the natural disaster that struck Yogyakarta and nearby areas in Central Java Province has resulted in significant disruption to the economy in the region;
 - b. whereas one measure to support economic recovery in the region is the provision of special treatment for bank credit in certain amounts and for restructured debt;
 - c. now therefore according to the considerations set forth in letter a and letter b, it is deemed necessary to enact provisions concerning special treatment for bank credit following the natural disaster in Yogyakarta and nearby areas in Central Java Province in a Bank Indonesia Regulation;
- In view of:
- 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998,

Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED:

To enact: SPECIAL TREATMENT FOR BANK CREDIT FOLLOWING THE NATURAL DISASTER IN YOGYAKARTA AND NEARBY AREAS IN CENTRAL JAVA PROVINCE.

Article 1

The terminology used in this Bank Indonesia Regulation has the following meanings:

1. “Bank” is a Commercial Bank and Rural Bank as defined in Act Number 7 of 1992 concerning Banking, as amended by Act Number 10 of 1998, including a branch office of a foreign bank.
2. “Commercial Bank Credit” is provision of funds or equivalent claims based on a loan agreement or contract between the bank and another party requiring the borrowing party to repay the debt at a specified term with interest, including:

a. overdraft ...

- a. overdraft, namely negative balance in a customer demand deposit that is unrepayable at end-of-day;
- b. takeover of claims within the framework of factoring;
- c. negotiation or purchase of credit from other parties.
- d. “Rural Bank Credit” is provision of funds or equivalent claims based on a loan agreement or contract between the bank and another party requiring the borrowing party to repay the debt at a specified term with interest.

Article 2

- (1) Classification of quality for Commercial Bank Credit and/or other provision of funds from a Commercial Bank to debtors with an overall ceiling of no more than Rp 5,000,000,000 (five billion rupiahs) shall be based only on prompt repayment of principal and/or interest.
- (2) The procedure for classification of quality of Commercial Bank Credit and/or other provision of funds as referred to in paragraph (1) shall operate in accordance with the applicable Bank Indonesia regulations.
- (3) The ceiling of Commercial Bank Credit and/or other provision of funds referred to in paragraph (1) shall apply both to individual debtors and group debtors and for all facilities received from 1 (one) Commercial Bank.
- (4) Classification of quality of Commercial Bank Credit and/or of other provision of funds as referred to in paragraph (1) shall apply to Commercial Bank Credit and/or other provision of funds disbursed prior to or to be disbursed at the promulgation of this regulation.
- (5) Classification of quality of Commercial Bank Credit and/or of other provision of funds as referred to in paragraph (1) shall apply only to

Commercial Bank Credit and/or other provision of funds disbursed to debtors with project locations or places of business in Yogyakarta and in nearby areas in Central Java Province.

- (6) Quality of Rural Bank Credit shall be classified according to the applicable regulatory provisions.

Article 3

- (1) Quality of restructured Commercial Bank Credit and Rural Bank Credit shall be classified current commencing from the restructuring through the end of June 2009.
- (2) Restructuring of Commercial Bank Credit and restructuring of Rural Bank Credit shall be conducted in accordance with the applicable Bank Indonesia regulatory provisions.
- (3) Restructuring of Commercial Bank Credit and restructuring of Rural Bank Credit as referred to in paragraph (1) may be conducted both for credit extended prior to and to be extended at the time of the promulgation of this regulation.

Article 4

The provisions referred to in Article 3 shall apply only to Commercial Bank Credit and Rural Bank Credit satisfying the following requirements:

- a. disbursed to debtors with project locations or places of business in Yogyakarta and in nearby areas in Central Java Province;
- b. difficulties in repayment of loan principal and/or interest have or are likely to arise by reason of the impact of the natural disaster in Yogyakarta and in nearby areas in Central Java Province; and

c. restructured ...

- c. restructured after the natural disaster.

Article 5

Classification of quality for restructured Commercial Bank Credit after the period referred to in Article 3 shall be as follows:

- a. For credit with a ceiling of up to Rp 5,000,000,000 (five billion rupiahs), classification of credit quality shall be guided by the provisions referred to in Article 2 paragraph (1);
- b. For credit with a ceiling of greater than Rp 5,000,000,000 (five billion rupiahs), classification of credit quality shall be guided by the applicable Bank Indonesia regulatory provisions.

Article 6

- (1) Banks may extend new credit and/or other provision of funds to debtors impacted by the natural disaster in Yogyakarta and nearby areas in Central Java Province.
- (2) Classification of quality of new credit and/or other provision of funds as referred to in paragraph (1) shall be separate from quality of any previous credit and/or other provision of funds.
- (3) Classification of quality of new Commercial Bank Credit and/or other new provision of funds as referred to in paragraph (2) shall be as follows:
 - a. For credit with a ceiling of up to Rp 5,000,000,000 (five billion rupiahs), classification of credit quality shall be guided by the provisions referred to in Article 2 paragraph (1);

b. For ...

- b. For credit with a ceiling of greater than Rp 5,000,000,000 (five billion rupiahs), classification of credit quality shall be guided by the applicable Bank Indonesia regulatory provisions.

Article 7

- (1) Nearby areas in Central Java Province as referred to in this Bank Indonesia Regulation shall include the Regency of Klaten.
- (2) Designation of other nearby areas in Central Java Province in addition to that referred to in paragraph (1) shall be determined in a Circular Letter of Bank Indonesia.

Article 8

The provisions in this Bank Indonesia Regulation shall also apply to conventional Commercial Banks conducting business based on Sharia Principles, Commercial Banks based on Sharia Principles, and Rural Banks based on Sharia Principles for provision of funds encompassing financing (*mudharabah* or *musyarakah*), receivables (*murabahah*, *salam*, or *istishna*), leasing (*ijarah*), loans (*qardh*), and other provision of funds.

Article 9

This Bank Indonesia Regulation shall come into force on the date of its enactment with retroactive effect from May 31, 2006.

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Enacted in: Jakarta

Dated: June 7, 2006

THE GOVERNOR OF BANK INDONESIA

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 51 OF 2006
DPNP/DPBPR/DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 8/ 10 /PBI/2006
CONCERNING
SPECIAL TREATMENT FOR BANK CREDIT
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GENERAL REVIEW

As widely reported, the impact of natural disaster that struck Yogyakarta and nearby areas in Central Java Province is understood to have brought disruption to the Indonesian economy in the disaster-hit areas. Debtors impacted by the natural disaster are regarded likely to face difficulties in keeping up with the repayment obligations stipulated in loan agreements.

In this regard, Bank Indonesia deems it necessary to extend special treatment to Bank credit in the form of relaxation of classification of quality of credit and provision of funds and provision of new credit to debtors impacted by the natural disaster.

ARTICLE BY ARTICLE

Article 1

Self-explanatory

Article 2 ...

Article 2

Paragraph (1)

"Other provision of funds" is defined as issuance of guarantees and opening of letters of credit.

Paragraph (2)

The applicable Bank Indonesia regulations are the regulations on Asset Quality Rating for Commercial Banks and Earning Assets Quality for Sharia Commercial Banks.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory.

Paragraph (6)

The applicable Bank Indonesia regulatory provisions are the provisions concerning Earning Assets Quality and Allowance for Earning Asset Losses.

Article 3

Paragraph (1)

Commercial Bank Credit and Rural Bank Credit for Rural Banks may be restructured in respect of all extended credit.

Restructuring of Rural Bank Credit shall take place by means of debt rescue in the form of rescheduling, reconditioning, or restructuring as stipulated in the regulatory provisions concerning Earning Assets Quality and Allowance for Earning Asset Losses.

Paragraph (2) ...

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Letter a

Self-explanatory.

Letter b

The applicable Bank Indonesia regulations are the regulations on Asset Quality Rating for Commercial Banks and Earning Assets Quality for Sharia Commercial Banks.

Article 6

Paragraph (1)

Extension of new credit and/or other provision of funds shall be undertaken selectively, according to the credit policy of the Bank.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

The applicable Bank Indonesia regulations are the regulations on Asset Quality Rating for Commercial Banks and Earning Assets Quality for Sharia Commercial Banks.

Article 7

Self-explanatory.

Article 8

"Other provision of funds" is defined as issuance of guarantees and opening of letters of credit.

Article 9

Self-explanatory.